

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
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FM AMEMBASSY ROME  
TO SECSTATE WASHDC 3428  
INFO AMCONSUL FLORENCE  
AMCONSUL MILAN  
AMCONSUL NAPLES

C O N F I D E N T I A L SECTION 1 OF 2 ROME 4452

E.O. 11652: GDS  
TAGS: PINT, IT  
SUBJECT: ITALIAN REPUBLICAN PARTY--STATUS AND PROSPECTS

1. SUMMARY: PROFOUND PESSIMISM OF ITALY'S ECONOMIC AND POLITICAL PROSPECTS LIES AT THE ROOT OF THE ITALIAN REPUBLICAN PARTY'S (PRI) POSITION. RECENTLY, THE PUBLIC MEDIA HAVE PRESENTED THE PRI AS SEEKING TO MEDiate ENTRY OF THE ITALIAN COMMUNIST PARTY (PCI) INTO THE GOVERNMENT. TH S VIEW IS NOT CORRECT. IN FACT, THE PRI BELIEVES ITSELF TOO WEAK TO SUGGEST PROGRAMMATIC OR POLITICAL INITIATIVES. INSTEAD, THE REPUBLICANS PROPOSE THAT BOTH MAJOR PARTIES, CHRISTIAN DEMOCRATS (DC) AND PCI, LAY THEIR/MEDIUM-TERM ECONOMIC AND SOCIAL PROGRAMS ON THE TABLE FOR PUBLIC JUDGMENT. THIS ATTITUDE EFLECTS PRI FRUSTRATION, SHARED BY ALL THE SMALLER PARIES, AT PERCEIVED DC-PCI SILENT HEGEMONY. REPUBLICANS RESERVE RIGHT TO OPPOSE ANY GOVERNMENT SUPPORTED BY PCI IF PCI PROVES, AS PRI SUSPECTS, TO BE UNABLE TO PRESCRIBE AN ADEQUATE DEMOCRATIC SOLUTION FOR ITALY'S ECONOMIC AND SOCIAL WOES. PRI THINKS GOVERNMENT HAS ALREADY LOST PRECIOUS CHANCE TO TAKE EFFECTIVE ECONOMIC MEASURES, AND THAT

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NOTHING CAN PREVENT RENEWED BALANCE OF PAYMENTS AND INFLATION PROBLEMS LATER IN 1977 AND IN 1978. END  
SUMMARY.

2. THE PARTY. THE PRI HAS ITS ROOTS IN THE TRADITIONS OF THE 19TH CENTURY ITALIAN UNIFICATION MOVEMENT, AND PRESERVES GENUINE REVERENCE FOR THE FIGURE OF

GIUSEPPE MAZZINI. SINCE WWII, THE PRI HAS HAD LIMITED BUT STEADY SUCCESS IN WINNING SUPPORT AMONG ITALY'S PROFESSIONAL MIDDLE CLASS. THE PARTY IS HEAVILY REGIONAL, WITH STRONG POINTS IN EMILIA-ROMAGNA AND PARTS OF THE SOUTH, BUT HAS SUCCEEDED IN ESTABLISHING A MODEST PRESENCE ALMOST EVERYWHERE IN ITALY. ITS COHERENT POLICY, WESTERN ORIENTATION AND CLEAN IMAGE HAVE GIVEN IT IN PRACTICE INFLUENCE MUCH GREATER THAN THE 1 PERCENT-3 PERCENT OF THE ELECTORATE WHICH IT HAS WON IN ELECTIONS. THE PRI'S LEADERS ARE USUALLY HIGHLY-QUALIFIED AND TALENTED PEOPLE WHO PURSUE POLITICS AS WELL AS PROFESSIONAL CAREERS. PERHAPS BECAUSE OF THIS PROFESSIONAL ORIENTATION, THE PRI HAS NOT BECOME CLIENTELISTIC. BY NOT PLAYING THE USUAL ITALIAN POLITICAL GAMES, THE PRI HAS PRESERVED ITS MORAL AUTHORITY, BUT HAS PERHAPS ALSO HAD TO ACCEPT IMPLICITLY ITS STATUS AS A SMALL "PARTY OF OPINION" THAT CAN NEVER GROW INTO A MASS ORGANIZATION. IN THE 1976 ELECTIONS, THE PRI WAS THE ONLY INTERMEDIATE PARTY NOT TO LOSE GROUND. NEITHER, HOWEVER, DID THE REPUBLICANS GAIN, AND IN THE POST-ELECTORAL SITUATION THEY FOUND THEMSELVES DEPRIVED OF THE INFLUENCE AND LEVERAGE WHICH THEY HAD ENJOYED AS MEMBERS OF THE GOVERNING COALITION. THIS CABLE SEEKS TO EXPLAIN WHERE THE PRI IS TODAY AND WHAT FUTURE IT HAS.

3. THE LEADER. NO OTHER POLITICAL LEADER IN ITALY HAS RETAINED IDEOLOGICAL AND OPERATIONAL CONTROL OVER HIS PARTY FOR AS LONG AS UGO LA MALFA. EVEN AT

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ALMOST 74 YEARS OF AGE AND AFTER HAVING GIVEN UP THE POST OF PARTY SECRETARY FOR THAT OF PARTY PRESIDENT, LA MALFA HAS NO SERIOUS RIVAL FOR CONTROL OF THE PARTY. THE ELDER LA MALFA--HIS SON GIORGIO, AN ECONOMIST, IS ALSO A PRI DEPUTY--IS HELD IN GENUINE REVERENCE BY THE MAJORITY OF PRI LEADERS. UGO LA MALFA IS FORCEFUL AND EMOTIONAL AS WELL AS INTELLIGENT, THIS MEANS THAT NEWSPAPER HEADLINES SOMETIMES REFLECT SURFACE INTERPRETATION OF HIS EMOTIONAL OUTBURSTS RATHER THAN UNDERSTANDING OF THE PRI POSITION. THUS, WHEN LA MALFA ANNOUNCED LAST FALL THAT IN HIS OPINION THE PRESENT DC-PCI RELATIONSHIP CONSTITUTES A SORT OF "HISTORIC COMPROMISE," HE WAS WIDELY INTERPRETED AS ADVOCATING A FORMAL AGREEMENT BETWEEN DC AND PCI. IN REALITY, HE WAS EXPRESSING GROWING REPUBLICAN FRUSTRATION, SHARED BY THE OTHER SMALL PARTIES, OVER BEING CUT OUT OF THE POLITICAL ACTION. BECAUSE OF LA MALFA'S ABSOLUTE DOMINANCE IN THE PARTY, HOWEVER, THERE WAS NO OTHER LEADER WILLING TO SET THE RECORD

STRAIGHT. PARTY SECRETARY BIASINI TRIED TO TONE DOWN THE STRIDENCY OF LA MALFA'S REMARKS, BUT THE PUBLIC PERCEPTION OF THE PRI MESSAGE WAS, AND REMAINS, THAT THE PRI ADVOCATES GIVING THE PCI A ROLE IN ITALY'S GOVERNMENT.

4. THE PRI'S ANALYSIS. THE PRI LEADERSHIP INCLUDES SEVERAL QUALIFIED ECONOMISTS, AND THE PARTY'S ANALYSIS OF THE PRESENT POLITICAL SITUATION SPRINGS FROM ITS VIEW OF THE ECONOMIC FACTS OF LIFE. IN THIS REGARD, THE PRI CAN CLAIM AN EVVIABLE RECORD OF CONSISTENCY. THE PARTY HAS FOR SEVERAL YEARS IDENTIFIED INFLATION AND EXCESSIVE GOVERNMENT EXPENDITURES AS THE MOST IMPORTANT ECONOMIC DANGERS. REPUBLICANS HAVE ALWAYS EVALUATED PROPOSED REFORMS IN THE LIGHT OF THIS TWIN OPTIC. APPLIED TO THE PRESENT, THE PRI ANALYSIS PRODUCES A GRIM HICTURE. ACCORDING TO THE PRI, THE CONFIDENTIAL

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PLANS FOR ECONOMIC STABILIZATION AND RECONVERSION HAVE

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AMCONSUL MILAN

AMCONSUL NAPLES

C O N F I D E N T I A L SECTION 2 OF 2 ROME 4452

E.O. 11652: GDS

TEGS: PINT, IT

SUBJECT: ITALIAN REPUBLICAN PARTY--STATUS AND PROSPECTS

BEEN STEADILY WEAKENED SINCE LAST FALL, AND THE GOVERNMENT FAILED TO SEIZE THE MOMENT WHEN A POLITICAL MAJORITY IN FAVOR OF EFFECTIVE MEASURES EXISTED. GIORGIO LA MALFA, WHO HEADS AN ECONOMIC RESEARCH INSTITUTE, IS CONVINCED THAT EVEN IF THE PARLIAMENT ACCEPTS THE GOVERNMENT'S ECONOMIC DECREES AS PRESENTLY PROPOSED AND IMF STAND-BY ASSISTANCE IS GRANTED, SERIOUS BALANCE OF PAYMENTS AND INFLATION PROBLEMS WILL NEVERTHELESS PERSIST THOUGHTOUT 1977.. BY 1968, HE BELIEVES THE ITALIAN GOVERNMENT WILL BE CONFRONTED WITH THE HARD CHOICE OF EITHER TOLERATING 30 PERCENT INFLATION OR IMPOSING HARSH RESTRICTIVE MEASURES WHICH WOULD PRODUCE AN ECONOMIC RECESSION.

5. THE POLITICAL BACKGROUND. DURING THE YEARS OF THE CENTER-LEFT, THE REPUBLICANS EITHER PARTICIPATED IN OR SUPPORTED THE GOVERNMENT. IN PRACTICE, THEY HAD THE ABILITY TO BRING DOWN THE GOVERNMENT. AFTER THE  
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JUNE 1976 ELECTIONS, THE PRI FOUND ITSELF OUTSIDE THE GOVERNING MAJORITY. ITS VIEWS HAVE NOT BEEN ACCORDED THEIR ACCUSTOMED WEIGHT IN GOVERNMENT COUNSELS. IN THE PRI'S PERCEPTION, THE GOVERNING DC HAS INSTEAD RELIED UPON THE SUPPORT AND ADVICE OF THE PCI. THIS HAS NOT PLEASED ANY REPUBLICAN, LEAST OF ALL UGO LA MALFA.

6. THE POLITICAL STRATEGY. THE PRI STRATEGY SINCE JUNE 20, 1976 HAS BASICALLY BEEN AIMED AT DISRUPTING THE PERCEIVED DC-PCI ARRANGEMENT AND KEEPING THE PRESSURE ON THE GOVERNMENT IN FAVOR OF THE MOST STRINGENT STABILIZATION MEASURES TILL POSSIBLE. FIRST, THE PRI TRIED TO EXPOSE THE DC-PCI RELATIONSHIP PUBLICLY BY SAYING THAT THE "HISTORIC COMPROMISE" IS "INELUCTIBLE". LATER, THE REPUBLICANS BEGAN TO PROGRESSIVELY WITHDRAW THEIR SUPPORT FROM THE GOVERNMENT, AND HAVE CHALLENGED THE TWO LARGEST PARTIES TO PRODUCE MEDIUM-TERM ECONOMIC AND SOCIAL PROGRAMS. IT IS HERE THAT THE REPUBLICANS ADVOCATE AN EXPANDED ROLE FOR THE PCI. THEY NOTE PCI CLAIMS TO SPEAK FOR THE WORKING CLASS, AND ACKNOWLEDGE THAT AN EFFECTIVE STABILIZATION PROGRAM CANNOT BE IMPLEMENTED WITHOUT THE ASSENT OF THE WORKING CLASS. AT THE SAME TIME, HOWEVER, THEY ARE SKEPTICAL THAT THE PCI CAN MEANINGFULLY CONTRIBUTE TO SUCH A STABILIZATION PROGRAM BECAUSE OF THE PCI'S NEED TO RESPOND TO WORKING CLASS DEMANDS. THE PRI SUSPECTS THAT THE MEASURES WHICH THE PCI WOULD ADVOCATE WOULD TEND TO REMOVE ITALY FROM THE WESTERN ECONOMIC SYSTEM/MARKET. DESPITE THIS FEAR,

THE PRI MAINTAINS THAT THE STALLED POLITICAL SITUATION CAN ONLY BE FREED BY INVOLVING THE PCI IN AN OPEN POLICY DEBATE.

7. WHY DON'T REPUBLICANS SPEAK OUT? THE PRI HAS CLEAR ECONOMIC PERCEPTIONS, YET DEMANDS THAT THE LARGER PARTIES MAKE TH PRESCRIPTIONS. WHY, IN THE FACE OF THE LARGER PARTIES' CONTINUED FAILURE TO CONFIDENTIAL

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PRODUCE EVEN MEDIUM-TERM PLANNING DOCUMENTS, DON'T THE REPUBLICANS COME FORTH WITH THEIR IDEAS? HERE, AGAIN, THE PRI'S PERCEPTION OF ITS OWN WEAKNESS IS THE KEY. REPUBLICAN LEADERS SAY THAT IF THEY PRODUCED A MEDIUM-TERM ECONOMIC PLAN IT WOULD BE IGNORED BY BOTH THE PRESS AND THE LARGER POLITICAL PARTIES. THEIR ONLY HOPE FOR AN EFFECTIVE ROLE IS IN JUDGING THE PROGRAMS PUT FORTH BY OTHERS. IN THAT WAY, THEY HOPE TO PUT THEIR PRESTIGE TO BEST USE. REPUBLICAN LEADERS SOUND CONVINCING WHEN THEY EMPHASIZE/THAT THEY WILL NOT HESITATE TO OPPOSE ANY GOVERNMENT--IN-CLUDING ONE WITH THE PCI AND THE OTHER ABSTAINING PARTIES--THAT REFUSES TO BITE THE ECONOMIC BULLET. IT IS BY MAINTAINING THIS CREDIBLE THREAT THAT THE PRI HOPES TO CONDITION GOVERNMENT POLICY IN THE FUTURE.

8. COOPERATION WITH THE SOCIALISTS. THE SOCIALIST AND REPUBLICAN PARTIES BOTH OPERATE IN THE IN-CREASINGLY RESTRICTED POLITICAL AREA OF THE NON-COMMUNIST TEFT. THE TWO PARTIES DIFFER SIGNIFICANTLY IN POLITICAL STYLE/POLICY ORIENTATION/AND HAVE DIVERSE HERITAGES/ AND ELECTORATES, BUT BOTH HAVE FOLLOWINGS AMONG MIDDLE CLASS INTELLECTUALS AND PROFESSIONALS. UP TO THE PRESENT, THERE HAS BEEN MUCH CONTRAST AND LITTL COOPERATION BETWEEN REPUBLICANS AND SOCIALISTS. NOW, AS BOTH PARTIES WORRY ABOUT THEIR LONG-TERM SURVIVAL, THERE ARE A FEW FAINT SIGNS THAT POINT TO THE POSSIBILITY OF FUTURE COOPERATION, BUT NO SIGNIFICANT PROGRESS CAN BE EXPECTED UNTIL THE CURRENT SOCIALIST INTERNAL TURMOIL ENDS AND TIME BRINGS THE REIGN OF UGO LA MALFA TO AN END.

9. COMMENT. THE USG SHOULD MAKE THE EFFORT TO UNDERSTAND PRI POSITIONS IN DEPTH, BECAUSE THE REPUBLICANS SPEAK OUT OF GENUINE CONCERN FOR CONFIDENTIAL

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WESTERN VALUES AND FRIENDSHIP FOR THE US. THERE IS EVERY REASON TO BELIEVE THAT WHEN PUSH COMES TO SHOVE THE PRI WILL MAKE CHOICES THAT WILL HELP KEEP ITALY IN THE WESTERN EUROPEAN MAINSTREAM. THIS SAID, IT IS ALSO EVIDENT THAT THE FACTS OF POLITICAL LIFE MILITATE AGAINST TH PRI ACHIEVING AN EXPANDED POLITICAL ROLE. THE PARTY IS MUCH TOO DEPENDENT UPON AN AGING LEADER, UGO TA MALFA, WHO SEEMINGLY DOES NOT ALWAYS CONSIDER IN ADVANCE THE PUBLIC EFFECTS OF HIS POLITICAL PRONOUNCEMENTS. IN THIS PHASE OF HIS LIFE, LA MALFA OFTEN SEEMS MORE INTERESTED IN PROVING THAT HIS ECONOV C PRESCRIPTIONS WERE CORRECT FIFTEEN YEARS AGO THAN IN MAKING CONSTRUCTIVE SUGGESTIONS FOR THE PRESENT. NEXT, THE LIMITED RESOURCES INHERENT IN THE PRI'S SMALL PARTY STATUS WILL HINDER ANY EFFORTS TO RECRUIT A LARGER PUBLIC FOLLOWING. FINALLY, ITS ELITIST TENDENCIES MAKE MASS SUPPORT DIFFICULT TO OBTAIN. THUS, WHILE THE MEDIUM-TERM SURVIVAL OF THE REPUBLICAN PARTY IS NOT IN DOUBT--IN CONTRAST WITH THE SITUATION OF THE OTHER SMALL LAY PARTIES (LIBERALS AND SOCIAL DEMOCRATS)--IT SEEMS LIKELY THAT THE PRI'S GROWTH, MEASURED IN TERMS OF ELECTION RESULTS, WILL BE QUITE MODERATE. IN DAY-TO-DAY TERMS, HOWEVER, THE PRI WILL RETAIN THE PRESTIGE AND DISPROPORTIONATE POLITICAL WEIGHT WHICH ARISE FROM THE HIGH QUALITY OF INDIVIDUAL REPUBLICAN LEADERS AND THE PARTY'S COHERENT STANCE BASED ON WESTERN PRINCIPLES.BEAUDRY

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